COWEN

COWEN INTERNATIONAL LIMITED

(CIL)

DISCLOSURE

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MAIN IFPR DISCLOSURE REQUIREMENTS

OVERVIEW

1.1 INTRODUCTION

The disclosures are prepared in accordance with the Financial Conduct Authority (FCA) MIFIDPRU 8 standards.

The disclosures aim to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key information on the firm's capital adequacy, risk assessment and control processes.

1.2 SCOPE AND FREQUENCY OF DISCLOSURES

1.2.1 SCOPE

The disclosures are made in respect of Cowen International Limited (CIL) for the year ended 31 December 2022. CIL is a non-SNI MIFIDPRU Investment Firm regulated by the Financial Conduct Authority (FCA).

CIL was a subsidiary of Cowen Holdings Inc. (registered in the USA). It is now a wholly owned subsidiary of Toronto Dominion International Pte. Ltd.

1.2.2 FREQUENCY

In accordance with MIFIDPRU 8.1.7, the disclosures are made on an individual basis and published on an annual basis.

The disclosures have been prepared as required under FCA MIFIDPRU 8 standards and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement about the firm.

1.2.2 MAJOR CHANGES

In accordance with MIFIDPRU 8.1.11, we disclose that there has been a change of ownership of the firm which is now a wholly-owned subsidiary of Toronto Dominion International Pte. Ltd., which is a Singapore-based entity

RISK MANAGEMENT OBJECTIVES AND POLICIES

In accordance with the Transitional Provisions in MIFIDPRU TP12.6, the Firm is required to disclose the information about its risk management objectives and policies under MIFIDPRU 8.2.

2.1. RISK MANGEMENT FRAMEWORK

The firm has an established Risk Management Framework.

The Risk Management Framework:

- Identifies, measures, manages, monitors, and reports on the harms to the firm, the clients and the market.
- Manages the risk that the firm's conduct may pose harm to the fair outcomes for clients, or to the sound, stable, resilient, and transparent operation of financial markets.

This framework provides the Board with assurance that the firm's risks, including the risks relating to the achievement of the firm's strategic objectives, are understood, and managed in accordance with the appetite and tolerance levels set. It provides the basis for enabling the firm's ongoing assessment, control, monitoring, and reporting of risk management.

The framework is established around the following elements:

- Risk Culture
- Risk Taxonomy
- Risk Appetite
- Risk Governance
- Risk Management.

The Board has overall responsibility for the management of risk within the firm. This includes determining the risk appetite, which sets out the nature and extent of the principal risks it is willing to take in achieving its objectives and defining the standards and expectations that drive the firm's risk culture.

It also involves ensuring that the firm maintains an appropriate and effective Risk Management Framework, and monitoring performance and risk indicators to ensure that the firm remains within its risk appetite.

More information on the firm's Strategy & Risk Framework can be found in the Annual Report pages 4-6.

2.2. PRINCIPAL RISKS

To adequately assess the potential harm to the firm, the clients or the market, the firm has adopted a common risk taxonomy that breaks the principal risks faced by the firm into 11 broad risk categories:
the risks inherent in CIL.
The major risks identified for the firm within the risk taxonomy and the actions taken to mitigate these risks are summarised in the table below.

REGULATORY ENVIRONMENT RISK – TAXONOMY LEVEL 1 .

Taxonomy	Risk	MITIGATING ACTIONS
Credit and Settlement Risk	Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. Settlement risk arises from failure of a settlement agent to settle trades within the agreed period.	CIL exercises controls through its policies and procedures, more specifically through selection of counterparties, custodians and settlement agents. The firm also monitors the credit ratings of these firms and will reassess the relationships if Amber triggers are breached. If red trigger is breached, CIL will consider closing positions with those parties and channel balances, trades and settlements to other parties
Operational Risk	Operational risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes a number of sub-categories of risk	CIL periodically reviews its operational policies and procedures. We also maintain a risk matrix and risk assessment which is periodically reviewed by the ARC. Critical systems are regularly tested for continuity. IT security is regularly reviewed, including any incidents. Critical 3rd party resilience is periodically reviewed.
Market Risk	CIL does not trade on a principal basis, which somewhat limits exposure to market risk, however the Firm still does have some exposure. Firstly, client portfolios are exposed to market risk. While this risk is covered by the Credit risk category, it is worth noting here. Further, CIL may be left with a residual position, or a trader may take a position outside of company policy. Finally, CIL is also exposed to FX and Interest rate risk.	Risk governance is in place, including limits, management monitoring and review, and governance processes. All loans are financed against significantly larger amounts of collateral security. Each day the client's portfolio of collateral is risk assessed (Value at Risk, Stress Test and Exposure). Stress tests include an Assessment of concentration risks. Bi Monthly Risk committee oversees and monitors these risks, and will actively seek to address any outsize exposure in light of market conditions.
Liquidity Risk	If CIL is executing trades or settling them during periods of extreme volatility, counterparties may require increased margins/cash collateral to offset the additional risk. Financial markets could be under stress and counterparties may require additional margining to bolster their liquidity. CIL may be seen to be an increased risk which could result in increased margins, which it may not be able to recover from clients.	CIL's policy is to maintain cash resources with its clearing banks at a level that is well in excess of its forecast cash flow requirements. Liquidity is monitored on a daily basis, and cash forecasting will be implemented on a monthly basis. CIL has a liquidity stress testing programme to provide additional assurance that liquidity measures are appropriate for the firm.

Business, Environmental & Strategic Risk	This is the risk associated with the fluctuating business cycles and economic conditions over a period of time and, if these business or economic conditions deteriorate over time, the ability of the firm to carry out its business plan and strategy or raise new capital in unfavourable conditions.	CIL monitors macro-economic factors which could impact its strategy and business model. These are regularly reported to senior management who monitor the potential effects against the risk appetite. All significant strategic decisions, including acquisitions are made with significant due diligence and management review at the most senior levels. A New Product Governance review process has been implemented to ensure all areas have reviewed their respective controls prior to new products going live.
Conduct & Reputational Risk	Poor corporate culture and governance can give rise to conduct issues. Employee disengagement and decline in organisational risk culture leading to acts of misconduct. A poor culture and/or inadequate controls may create an environment whereby employees are more likely to commit fraud or are found guilty of misconduct, resulting in reputational damage and regulatory censure. Harm may also arise if the firm conducts improper business or market practices, causing harm to clients, or causing reputational damage.	CIL maintains a conduct and culture dashboard to highlight any concerns. CIL has implemented and Conduct & Culture framework that places a strong emphasis of providing an environment of trust and has outlined a comprehensive and rigorous compliance framework to prevent and deter financial crime. CIL ensures that appropriate checks are in place to ensure that new employees meet conduct expectations. Measures are also in place to ensure that conflicts of interest are managed and that new products are considered for reputational risk.
Financial and Regulatory Reporting Risk	A failure in the capital calculation process may mean that CIL exceeds its capital resources and is no longer viable. Failure in other financial reporting may manifest in poor decision making, and/or external financial reporting, resulting in regulatory or statutory reporting failure.	CIL monitors the accuracy of its financial and regulatory returns. Errors in either are reported and remedial action is taken to eliminate reoccurrence. CIL has invested heavily in its Finance function and has also sought external advice to ensure that all processes and measures are in place and operation effectively.
Concentration Risk	Concentration risk is that associated with the CIL's exposure to sectoral, geographic and entity or obligor concentrations.	CIL's exposure to concentration risk is encompassed in Credit, Market, Liquidity and Operational risks (e.g. reliance o^{n} 3rd parties).
Group Risk	Group risk results from dependence of group entities for income and critical infrastructure. Also, risk in other group entities could affect CIL (e.g. reputational or funding).	CIL monitors its exposure to revenues generated through group entities and its reliance on the group for any critical processes. It also reviews the markets and press to detect if issues with other members of the group may impact CIL's reputation or credit rating.
Capital Adequacy Risk	The risk that the firm hold insufficient capital to cover its risk exposures and must curtail or cease operations	The firm undertakes an annual capital assessment called 'Internal Capital and Risk Assessment' (ICARA) yearly and apply a series of stress-testing scenarios to its base financial projections, approved by the Board.

OWN FUNDS

3.1. OWN FUNDS

CIL's available capital resources are valued for the purposes of meeting minimum capital requirements, according to the IFRS balance sheet value of reserves, and according to the criteria set out in MIFIDPRU 3.

CIL only holds Common Equity Tier 1 items which incorporates share capital and retained earnings. The firm does not have Additional Tier 1 or Tier 2 instruments.

Further detail of the Common Equity Tier 1 items can be seen in Table 1 below, how this aligns with the balance sheet in Table 2 and the main features in Table 3.

Table 1: Composition of regulatory own funds

Composition of regulatory own funds			
	Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	46,278	Page 17
2	**TIER 1 CAPITAL**	46,278	Page 17
3	**COMMON EQUITY TIER 1 CAPITAL**		
4	Fully paid-up capital instruments	39,927	Page 17 and note 13
5	Share premium		
6	Retained earnings	3,819	Pages 16 and 17
7	Accumulated other comprehensive income		
8	Other reserves	2,532	Page 16 and note 14
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	0	
25	**TIER 2 CAPITAL**	0	

Table 2: Reconciliation of regulatory own funds to the balance sheet

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Fixed Assets:			
2	Tangible assets	1,989		
3	Current Assets:			
4	Debtors	1,476,702		
5	Loans and other assets	2,740		
6	Cash and cash equivalents	46,014		
	Total Assets	1,527,445		
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors	1,471,687		
2	Accruals	9,480		
	Total Liabilities	1,481,167		
Shareholders' Equity				
1	Called up share capital	39,927		4
2	Other reserves	2,532		8
3	Accumulated retained earnings	3,819		6
	Total Shareholders' equity	46,278		1

Table 3: Features of own instruments

Own funds: main features of own instruments issued by the firm	
Item referenced in the Audited Financial statements	*Feature of Own Fund Instrument*
Share Capital	
Instrument Type:	Ordinary shares
Amount recognised in regulatory capital:	£ 39,927,096
Nominal amount of instrument:	£ 0.26994864
Issue price:	£ 0.26994864
Accounting classification:	Ordinary share capital

OWN FUNDS REQUIREMENT

4.1. OWN FUNDS REQUIREMENT

In accordance with MIFIDPRU 4.3.2, the firm is required to maintain own funds that are at least equal to its Own Funds Requirement at all times.

The Own Funds Requirement is the greater of:

As at 31 December 2022			**Amount (£000')**
Permanent Minimum Requirement (PMR)			730
Fixed Overhead Requirement (FOR)			5,337
K-Factor requirement			6,373
Sum of	K-AUM, K-CMH and K-ASA	0	
Sum of	K-COH and K-DTF	2,365	
Sum of	K-NPR, K-CMG, K-TCD and K-CON	4,007	
Own Funds Requirement			6,373

CIL had a significant surplus of Own Funds over Own Funds Requirement throughout the year with a surplus of £39.9m at the year-end 31 December 2022.

4.2. ADEQUACY OF OWN FUNDS

In accordance to the Overall Financial Adequacy Rule (OFAR), the firm must at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

An assessment is carried out as part of the Internal Capital Adequacy and Risk Assessment (ICARA). The firm calculates its own internal risk assessment of ongoing activities by identifying all risks and considering their materiality, including those that are not captured under the defined K-Factor requirements. The higher of the internal risk assessment and the funds required for an orderly winddown is used as the Own Funds Threshold Requirement and Liquid Assets Threshold Requirement which the firm is required to hold at any point in time to comply with the OFAR.

The ICARA assessment is produced annually or more frequently, if a there has been a material change to the business model.

The internal risk assessment once approved is monitored daily as an integral part of the Risk Management Framework. The Executive Risk Committee considers all risks that could change.

GOVERNANCE

The Firm's Board and senior management believes that this existing departmental structure ensures effective and prudent management of the firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The firm's Board takes overall responsibility and defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients (in terms of SYSC4.3). This includes:

• Approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;

• The integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system.

• Oversight of disclosure and communications;

• Oversight of senior management;

Directorships held by ~~each~~ Board members outside of CIL or group companies:

Director	Number of executive directorships	Number of non-executive directorships
Michael Page	1	-
John Holmes	1	-

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The firms' Diversity and Inclusion Policy sets out a commitment to creating an environment that ensures that everyone is treated with fairness, dignity, and respect.

Gender Pay is also an important metric for the firm. The firm continues to work to improve its monitoring, developing real-time metrics and a more robust grading structure to improve the metrics.

These activities, supported by the Board and Senior Management, have ensured that inclusion is being considered and discussed in decision making and as part of the review of many business processes. The firm continues to build on the foundations of everyday inclusion through further training, development of policies and practices along with further embedding an inclusive culture for all employees.

The firm has established an Audit and Risk Committee which complies with the requirements of MIFIDPRU 7.3.1.